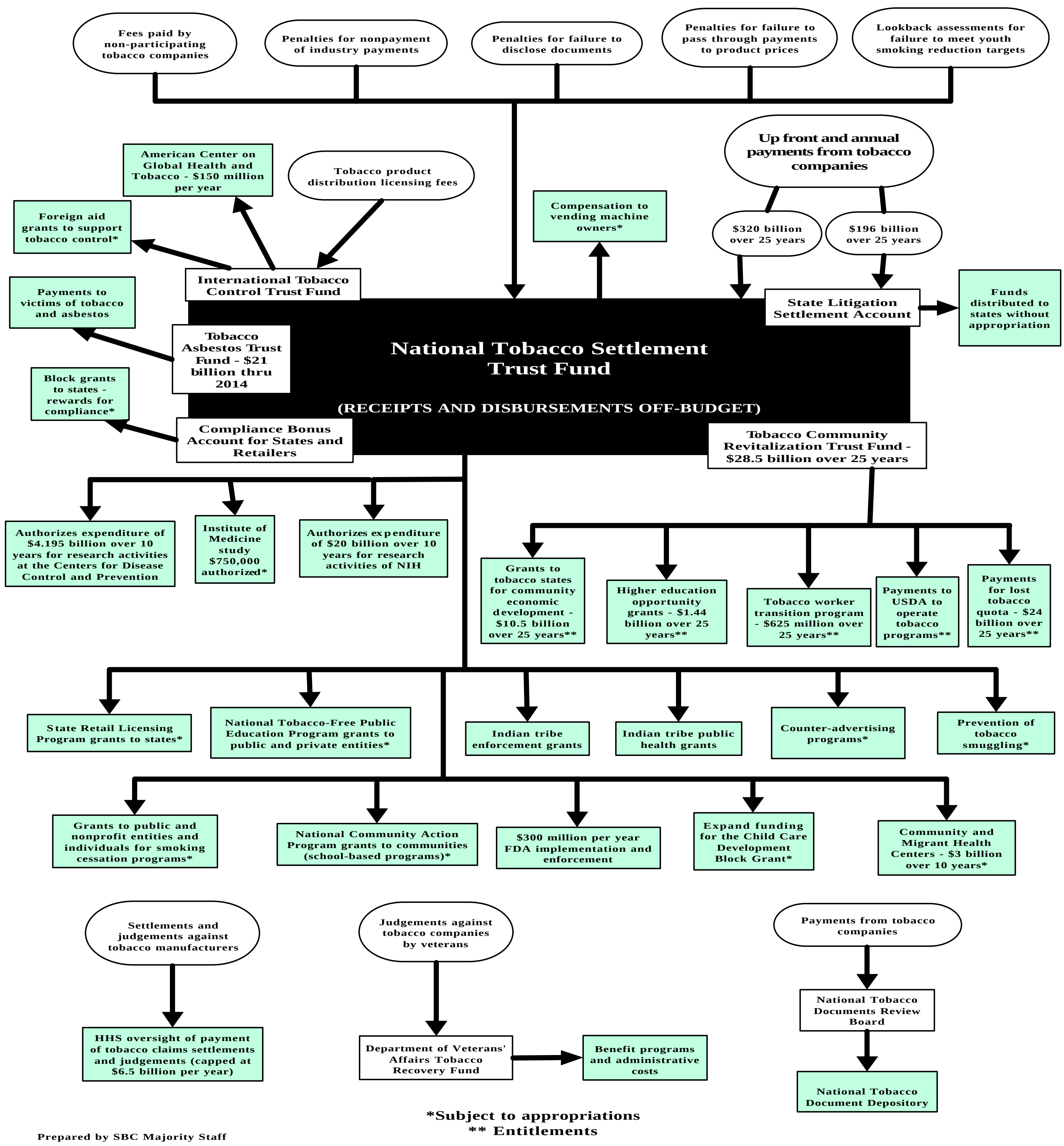
INFORMED BUDGETEER

Structure of the National Tobacco Policy and Youth Smoking Reduction Act Reported by Senate Commerce Committee 5/1/98



TOBACCO LEGISLATION - WHAT A DRAG

- Senate Republican Leadership asked Senator McCain, Chairman of the Commerce Committee to report to the full Senate a bi-partisan, comprehensive tobacco bill based on the framework of the June 20, 1997 States Attorneys General tobacco agreement. The Commerce Committee ordered reported a bill on April 1, 1998 by a vote of 19-1. The bill, S. 1415, and report became available to the public on May 1.

- The flow chart above represents the *Bulletin's* interpretation of the Commerce Committee bill's sections. Income into the various funds is represented by ovals; payments out of funds and special accounts are represented by shaded rectangles.

- An official cost estimate of the bill has not yet been produced. In general, receipts to a National Tobacco Settlement Trust Fund would total between $660 and $840 billion over the next 25 years; $110 billion over then next 5 year-- <u>not inculding behavioral efects that could substantially reduce these amounts.</u>

- The bill takes the Settlement Trust Fund off-budget. It also exempts the receipts and disbursements of this fund from any general budget limitation imposed by law -- the spending and revenues associated with this bill would be exempt from:

  - the Budget Enforcement Act's discretionary spending caps and its pay-as-you-go requirement for direct spending and tax legislation;

  - the Budget Act and the annual Congressional budget resolution that is enforced by 60 votes in the Senate;

  - the Senate's 10 year "pay-as-you-go" rule; and,

  - the Line Item Veto Act.

- The language taking the tobacco trust fund off-budget violates section 306 of the Budget Act, which prohibits consideration of legislation affecting the budget process unless reported by the Budget Committee. It takes 60 votes in the Senate to waive this point of order.

- CBO does not take into account "directed scoring" provisions in proposed legislation, such as the language taking the tobacco trust fund off-budget, until the bill becomes law. As a result, CBO will score this bill as though it were on-budget until it becomes law. Based on preliminary information, this bill will clearly violate the FY 1998 budget resolution's aggregate spending levels and cause the Commerce Committee to exceed the resolution's allocation of budget authority and outlays. Both of these violations make the bill subject to a 60 vote point of order.

A BAD AUDIT: The 1997 Consolidated Financial Statement of the US Government

- The first comprehensive financial statement of the US Government using new federal accounting standards was transmitted to the Congress on March 31, 1998.

- The financial statement for 1997 was prepared by the Department of the Treasury and audited by GAO. The Acting Comptroller General in a letter of transmitted to the Congress concluded--"deficiencies prevented us from being able to form an opinion on the reliability of the consolidated financial statements".

- Major problems identified in the audit reported by GAO include the federal government's inability to:

  - properly account for and report billions of dollars of property, equipment, materials, and supplies;

  - properly estimate the cost of most federal credit programs and the related loans receivable and loan guaranteed liabilities;

  - estimate and reported material amounts of environmental and disposal liabilities and related costs;

  - determine the proper amount of various reported liabilities, including post retirement health benefits for military and federal civilian employees, veterans compensation benefits, accounts payable, and other liabilities;

  - accurately report major portions of the net costs of government operations;

  - determine the full extent of improper payments that occur in major programs and that are estimated to involve billions of dollars annually;

  - properly for billions of dollars of basic transactions, especially those between governmental entities; ensure that the information in the consolidated financial statements is consistent with agencies financial statements;

  - properly account for billions of dollars of basic transactions, especially those governmental entities;

  - ensure that the information in the consolidated financial statements is consistent with agencies' financial statements;

  - ensure that all disbursements are properly recorded;

  - effectively reconcile the change in net position reported in the financial statements with budget results.

✎For more details, informed budgeteers can refer back to *Bulletin* issue no. 9: April 6 and the entire report is available at www.gao.gov.

BUDGET QUIZ

Question: How can the appropriations process proceed in the Senate, if there is no budget resolution?

Answer: In general, section 303© prohibits consideration of appropriations bills in the Senate unless a budget resolution has been agreed to and section 302(a) allocations have been made. This prohibition is enforced by a majority point of order.

However, on April 2, 1998 when the Senate agreed to S. Con. Res. 86 (the Senate version of the FY 1999 budget resolution) the Senate also agreed to S. Res. 209 a "deeming resolution". This resolution had the effect of making a 302(a) allocation to the Appropriations Committee until a conference report on the budget resolution for FY 1999 is adopted. The levels set out in the deeming resolution are within the section 251 statutory caps on discretionary spending. So at this point, the Senate appropriators are free to proceed.

Question: How can the appropriations proceed in the House of Representatives, if there is no budget resolution?

Answer: Pursuant to section 302(a)(5) of the Budget Act, if a budget resolution is not adopted by April 15th, the Chairman of the Budget Committee shall submit to the House a 302(a) allocation for the Appropriations Committee which is consistent with the discretionary spending levels most recently agreed to budget resolution for the appropriate fiscal year. To date, this has not occurred.

Once a 302(a) allocation is so made, the Appropriations Committee is then authorized to report the subcommittee allocations. In addition after May 15th, pursuant to section 303(b)(2), the section 303 majority point of order which would lie against the consideration of an appropriations bill before a budget resolution is agreed to is no longer applicable. It is noteworthy that section 307 requires the Appropriations Committee to report all of its bills by June 10th; although there is no sanction for failure to do so. However, section 309 prohibits the House from adjourning for more than 3 days during the month of July unless the House has approved all annual appropriations bills.